

22 JUN 1981

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MEMORANDUM FOR: Chief, Plans and Programs Staff, OL
FROM:
Chief, Supply Division, OL
SUBJECT: H.R. 3494, the Delinquent Payments Act
of 1981
REFERENCE: Mult adse memo dtd 9 Jun 81, same subj
(OL 1-2409)

1. The Supply Division has reviewed the Delinquent Payments Act of 1981 as requested. During the past two years, a great deal has been accomplished in expediting federal payments; however, it appears unrealistic to expect Government agencies to pay their bills within a 30-day period. A GAO study of over 3,000 invoices reflect that only 61 percent were payed within 30 days, while 85 percent were payed within 60 days. Therefore, it would appear that 45 days or 60 days would be a more appropriate period to expect payment. Even though this Agency now has a much better payment record as a whole, it will be difficult to obtain further improvement until such time that the primarily manually processing of bills is automated.

2. This Bill does not seem to consider the problems the government has with discrepancies and technical acceptance procedures. In addition, the Bill requires "that Federal agencies which acquire property or services from a business concern, but which does not make payment for each such completed delivered item of property or service (1) by the date on which payment is due under the terms of the contract for the possession of such property or service or otherwise; or (2) within 30 days after receipt of a problem invoice for the amount of the payment due, if a specific date on which payment is due is not established by contract or otherwise". This requirement would appear to disregard the fact that in many cases vendors forward their invoices to the Office of Finance at the same time that the material is entered into a shipping channel. Hence, invoices are often on hand for as much as 30 days while waiting on

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material to travel cross-country. Such an arrangement provides very little time to complete receiving formalities which must be forwarded to the Office of Finance before payment can be effected.

3. The Bill also raises some concern of a security nature inasmuch as the Agency procures a large amount of material under classified contract arrangements. The Bill would require the Agency to advise the Senate Committee on Governmental Affairs and the House Committee on Government Operations of all interest payed which resulted from delinquent payments. Such an arrangement may negate our complete sterile acquisition process. In general, this Bill seems to be extremely one-sided and should include something in the favor of the government such as guaranteed delivery dates in return for prompt payment of accounts.

4. Please contact [REDACTED]
should additional information be required.

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